

BUDGET LETTER

| | |
|--|--------------------------------------|
| SUBJECT: BASELINE BUDGET ADJUSTMENTS | NUMBER: 17-16 |
| REFERENCES: BUDGET LETTERS 17-08 and 17-11 | DATE ISSUED: July 21, 2017 |
| | SUPERSEDES: BL 16-23 |

TO: Agency Secretaries
Department Directors
Departmental Budget and Accounting Officers
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) provides instructions for updating support baseline adjustments (capital outlay instructions will be provided separately). It is anticipated that FI\$Cal (Hyperion) will become accessible to all departments for budget development in late July or early August 2017. The 2017 Budget Act point-in-time, as revised by known one-time costs, expiring programs, and/or full-year costs of programs, will serve as the starting point for the 2018-19 Governor's Budget development process. For additional information on data rolled over from the 2017-18 budget cycle, please refer to BL [17-11](#).

Data in the past budget cycles will be accessible by users through the same Hyperion application.

- CalPLAN is now for the 2018-19 budget cycle;
- CalPLN15 contains archived data from the 2015-16 budget cycle for viewing and reporting only;
- CalPLN16 contains archived data from the 2016-17 budget cycle for viewing and reporting only; and
- CalPLN17 contains archived data from the 2017-18 budget cycle for viewing and reporting only.

Planning

 CalPLAN

 CalPLN15

 CalPLN16

 CalPLN17

The documents referenced in this BL may be found on the following Finance web pages:

http://dof.ca.gov/budget/Resources_for_Departments/Budget_Forms/

http://dof.ca.gov/budget/fiscal_resources_for_budget/index.html

I. Method of Submittal and Deadline

Departments must enter or upload Baseline Budget Adjustments (BBA) and Revenues, Transfers, and Loans (RTL) directly into Hyperion and inform their Finance budget analyst once a BR is available for Finance to review in the "GB Exchange" version.

Deadlines and Deliverables

**October 13, 2017
(Friday)**

Departments update Hyperion for current year, budget year, and out years for baseline adjustments. This is not applicable to Employee Compensation and Retirement adjustments, which will have separate deadlines and be addressed in a subsequent BL.

II. Glossary Relevant to this BL

| | | |
|----------|---|---|
| BBA | = | Baseline Budget Adjustments. These are baseline expenditure adjustments such as employee compensation, carryovers, etc. |
| BR | = | Budget Requests. These are issues identifying changes to dollar amounts and/or positions for any fiscal year in the system. |
| BU | = | Business Unit. This four-digit number is equivalent to an organization code/entity. |
| Category | = | An account code in the Chart of Accounts. |
| CSL | = | Current Service Level (a consolidated starting point in Hyperion for all fiscal years). This data is preserved in the "GB Public Initials" version. |
| ENY | = | Enactment Year (formerly Year of Appropriation). |
| FTEs | = | Full Time Equivalents or Positions. These terms are used interchangeably. |
| RTL | = | Revenues, Transfers, and Loans. |

III. Baseline Budget Adjustments for Expenditures

BBA's are changes to the budget to maintain the current level of service. BBA's will be used to make incremental baseline expenditure adjustments in Hyperion for current year, budget year, and out years through budget year plus four (BY4).

Once the Hyperion system is available, departments should run the detailed multi-year expenditure (Category 5 [AC 5]) report, with past year through BY4 information reflecting rolled-over data, to assist with the baseline adjustment update process.

Similar to last fall, expenditure adjustments should reflect one-time costs, expiring programs, and/or full-year costs of programs, if not previously adjusted. If needed, departments may work with their respective Finance budget analysts to make additional changes to refine these amounts.

Once discussed and approved with their Finance budget analyst, departments may make baseline expenditure adjustments directly in Hyperion or by utilizing the upload templates for data input. For each expenditure adjustment with a different baseline adjustment type, a separate Budget Request must be completed. For instance, a department will need to enter/upload one template to capture issue specific adjustments and another template to make carryover/reappropriation adjustments.

Baseline Adjustment Types

There are 12 baseline adjustments types in Hyperion that can be used to make baseline expenditure changes (detailed below). Departments must select **one** of the adjustment types for each BR, as applicable, from the drop down menu in the Baseline Adjustment Types tab in Hyperion or in the BBA upload template.

1. Salary Adjustments

A forthcoming BL will provide instructions on BBA changes required for the state's employee compensation and benefit adjustments.

2. Benefit Adjustments

See #1 above.

3. Retirement Rate Adjustments

A forthcoming BL will provide instructions on BBA changes required for the state's contribution rate adjustment.

4. Budget Position Transparency

Pursuant to the 2015-16 Budget, Government Code section 12439 was repealed. Departmental positions remaining vacant for six or more consecutive months are no longer abolished. To improve budget transparency, Finance implemented a new budget process in the 2016-17 fiscal year, including a departmental budget display for the Governor's Budget that more accurately captures departments' expenditures for personal services, staff benefits, and operating expenses and equipment. This budgetary analysis occurs biennially and was last completed as part of the 2016-17 Governor's Budget. **The analysis will be performed again as part of the 2018-19 Governor's Budget process; instructions will be provided in a forthcoming BL.**

5. Carryover/Reappropriation

If unencumbered funds are still available, carryover authority exists, and program requirements continue, certain appropriation balances should be carried forward from a prior year. Carryovers from 2016-17 to 2017-18 must be reconciled to the year-end financial reports submitted to the State Controller's Office (SCO). Carryovers into 2017-18 that are not expected to be expended and are still available must be included as carryovers into 2018-19, unless a reversion item is to be included in the 2018 Budget Bill, or the amount will be shown as savings. In some cases, an appropriation may be carried over into future years (i.e., 2019-20 and after). In the case of capital outlay programs, where many appropriations are available for encumbrance for three years, departments must estimate budgetary expenditures over the three-year period. Departmental staff and Finance budget staff must resolve any differences in the authority cited or authorized carryover estimates to ensure that the budget and SCO's accounting records reconcile. Departments should contact their Finance budget analyst and the SCO to resolve any discrepancies prior to submission of past year expenditures. This topic is addressed further in the forthcoming Past Year Budget Adjustments and Fund Reconciliation BL.

The BBA upload template includes budgetary expenditure and non-add budgetary expenditure tabs that can be used to reflect carryovers and savings adjustments. See "[How to record Carryovers and Reappropriations in Hyperion](#)" for more information.

6. Legislation with an Appropriation

For chaptered legislation containing a specific appropriation, the funding level requested can be included in the baseline budget. If funding is requested for chaptered legislation that DOES NOT contain a specific appropriation, but for which there is a cost, a BCP (or other similar adjustment approved by the Department of Finance) is required.

7. Pro Rata

Pursuant to Chapter 31, Statutes of 2016 (SB 836), Pro Rata is charged directly at the fund level and is reflected under BU 9900. Finance's Fiscal Systems Consulting Unit (FSCU) will post the BBA for Pro Rata under BU 9900. Instructions will be provided in a forthcoming BL. For an overview of Pro Rata and SWCAP, please refer to the Pro Rata and SWCAP pages on Finance's website at: http://www.dof.ca.gov/Accounting/Statewide_Cost_Allocation/.

8. SWCAP

FSCU will centrally post the BBA for SWCAP at the department's appropriation level. Completed BBAs will be shared with departments via the GB Exchange version in Hyperion. Instructions will be provided in a forthcoming BL.

9. Miscellaneous Baseline Adjustments

Only adjustments that do not appropriately fit into any other category may be categorized as Miscellaneous Baseline Adjustments. A brief/concise BR title describing the adjustment must be provided. Miscellaneous Baseline Adjustments could include adjustments to reflect one-time or full-year costs that were not reflected in the out years as part of the 2017-18 budget cycle. Any adjustments in this category must be discussed with and approved by your Finance budget analyst prior to entering them into the system.

10. Lease Revenue Debt Service Adjustment

This adjustment will be provided by your Finance budget analyst, if applicable.

11. Statutory Cost of Living Adjustments (COLAs)

To be used only for COLAs authorized in statute.

12. Issue Specific Adjustment

The first 11 baseline adjustment types listed above do not show individual BBA BRs for any given BU in the Detailed Budget Adjustments section of a budget galley, but are instead combined with others of the same BBA type, e.g., "Salary Adjustments." The 12th BBA category, "Issue Specific Adjustment," identifies large and/or sensitive dollar amounts that would otherwise be categorized as Miscellaneous Baseline Adjustments or combined within another BBA type. BBA BRs coded as "Issue Specific Adjustment" will be individually shown in the Detailed Budget Adjustments section in a given BU's budget galley by BR title. Because these BR titles will be displayed, meaningful titles are critical.

Baseline Budget Adjustment Excel Upload Template

Departments should work closely with their Finance budget analysts to provide all necessary budget information by either keying data directly into Hyperion or by uploading data into the system using BBA upload templates. Various enhancements continue to be made in Hyperion; therefore, departments using [upload templates](#) must use the latest version available on Finance's website, as these will reflect the latest chart of account codes, program information, and correctly show Fiscal Year 2018 as the year of budget being built (YBB). Departments can find the current templates on Finance's website at: http://www.dof.ca.gov/budget/Resources_for_Departments/Budget_Forms/. The updated version will be available in late July/early August. Do not use the 1/2017 version.

Departments using the [BBA upload template](#) need to provide fiscal details for baseline budget adjustments. Separate tabs capture detailed information for every adjusted item, program, and category of expenditure consistent with the [new chart of accounts](#). The forms are color coded as follows:

Blue color: Select from drop down menu;
Salmon color: Input, no drop down menu;
Gray color: Update as necessary.

The following provides a summary of the required data for each of the tabs in the latest template:

- a) **Checklist**—Provides cross-ties for position and budget adjustment related issues, proper BR naming convention, and reminds users to select a baseline adjustment type. Ensure all “No Issues” fields are **green** and that there are no **red** fields prior to uploading into Hyperion.
- b) **Summary tab**—Provides a snapshot of total positions, personal services, and operating expenses and equipment, as well as total state operations and local assistance expenditures broken down by fund source.
- c) **Budget Request Details**—Departments should only complete the following:
 - 1. Use unique naming conventions to provide BR Name. (See “[Budget Request Naming Convention in Hyperion](#)” for details on naming conventions.)
 - 2. BR Title should be meaningful. Capitalization should remain consistent with the BR title. (See “[Common Baseline Adjustments Titles](#)” for a list of commonly used baseline adjustments and the suggested titles to use.)
 - 3. Enter BU (organization code).
- d) **Position Change Request**—Specify the Job Code (class code and classification title), Start Date (only if the position will not be filled on July 1, 2018, such as a January 1 start date), End Date (if applicable), Proposed Position (number of positions affected by the adjustment), and Salaries and Wages for all of the position(s) in the same classification. Enter the total positions and dollars for the affected years (CY, BY, and out years). Salaries and Wages entered on the Position Change Request tab must tie to the total Salaries and Wages (AC_510xxx) entered on the Expenditure Tab.
- e) **Position Summary**—Specify Item, ENY, program, and related salaries and wages categories of expenditure associated with each position. Enter the total positions for the affected years (CY, BY, and out years). Positions (Full Time Equivalent) in CY through BY4 in the Position Summary tabs must tie to the total proposed positions in CY through BY4 in the Position Change Request tab for the overall BR.
- f) **Baseline Adjustment Types**—Select one of the 12 types described above.
- g) **Expenditure Tabs**—Select the appropriate tab. Specify Item, ENY, program, and the related category for each unique combination of funding needed to support the adjustment. See “[Account/Category Codes Available in Hyperion](#)” for suggested categories of expenditure/account codes. Departments must provide the same level of information as is required in the DF-300 Supplementary Schedule of Operating Expenses and Equipment. Enter all dollars in the “request amount” column. All ongoing dollars must be copied to the appropriate out year(s) in the BY to BY4 Baseline Adjustments tab. If dollars are limited-term or only affect the BY, only enter dollars on the relevant fiscal year column(s). If the request is for multi-year or continuous appropriation spending authority, please contact your Finance budget analyst for additional instructions.

IV. Baseline Adjustments for Revenues, Transfers, and Loans

Adjustments for RTLs must be entered directly into Hyperion or by using the updated RTL upload template (available late July/early August). Finance budget analysts will provide a Schedule of Revenues, Transfers, and Loans report (this contains past year through BY4 information) to their departments so they have the latest data. Departments also have direct access to this report in Hyperion.

RTL Template

The template contains various tabs as indicated below. Each type of adjustment requires its own individual RTL BR (and upload template, if not keyed in directly). For example, each revenue transfer or loan (loan repayment) must be uniquely identified in Hyperion because the specific RTL title serves as the adjustment's authority. See "[Common Baseline Adjustment Titles](#)" for sample RTL BR Titles. Please see section VIII below for additional information on RTLs.

- a) **Budget Request Details**—Departments should do the following:
 - 1. Use unique [BR naming conventions](#) for the BR Name.
 - 2. Enter BU (organization code).
- b) **Revenues**—If the adjustment updates revenues, specify the affected item, program, and revenue code. (For the "program" fields that are required for revenues, it is acceptable to choose "No Program." However, work with your Finance budget analyst to determine if a specific program is more appropriate.) Enter incremental revenue amounts in the "revenue" column. All ongoing revenues should be entered on the BY to BY4 tab. Revenues are coded with an account code of 4XXXXXX.
- c) **Revenue Transfers**—If the adjustment reflects a transfer (new or an adjustment to an existing BR that reflects the 2017 budget plan for a transfer amount), specify the total amount to be transferred (not the incremental amount), the RTL item, and the funds providing and receiving the transfer in the affected fiscal year. See "[Codes for Revenue Transfers and Loans](#)." If both sides of the transaction do not fall within the same BU, each BU must reflect their respective side of the transaction in Hyperion. Coordination with the other BU is important.
- d) **Revenue Loans**—If the adjustment is related to a loan (new or an adjustment to an existing BR that reflects the 2017 budget plan for a loan amount), specify the total amount to be loaned (not the incremental amount), the item, and the funds providing and receiving the loan in the affected fiscal year. See "[Codes for Revenue Transfers and Loans](#)." If both sides of the transaction do not fall within the same BU, each BU must reflect their respective side (To or From) of the transaction in Hyperion. Coordination is required.

V. Revenues, Transfers, and Loans—Special Fund Reporting Requirements

If a department reports any special fund revenues, transfers, or loans in their accounting records (i.e., RTLs are reported under their BU to the State Controller's Office), the department is required to report these special fund revenues, transfers, or loans in their budget documents. This is similar to the treatment of RTLs in the General Fund.

VI. Unique BR Naming Convention

The department is required to create a BR for each BBA or RTL. Each BR must have a BU number, a unique sequencer (001 to 299 for the Governor's Budget process), identified BR type (e.g., BBA), fiscal year, and point-in-time when the issue is originated (e.g., GB for Governor's Budget). See "[Budget Request Naming Convention in Hyperion](#)" for additional information. BR sequencers are shared between Finance staff and departments; therefore, departments must work with their Finance budget analyst before selecting a BR sequencer to avoid duplication and system kick outs. Sample BR name:

2222-001-BBA-2018-GB.

A separate BR must be used to house the data for each BBA or RTL.

VII. Enactment Year (ENY) (aka Year of Appropriation)

For new one-year appropriations, use:

- 2016 for past year;
- 2017 for current year;
- 2018 for budget year and beyond

For multi-year or continuously appropriated spending requests, consult with your Finance budget analyst.

VIII. Use of Items instead of Separate "BU," "Reference," "Fund" in Templates and Data Entry Forms

Each Expenditure and RTL will require a 3-part item consisting of the BU, a reference identifier, and the fund number. For example, if BU 0250 has a proposed expenditure and/or revenue adjustment to the General Fund, the expenditure item would be "0250-XXX-0001" and the revenue item would be "0250-787- 0001." Please note that for RTLs, the specific reference numbers to use depend on the type of RTL as follows:

| | |
|-----------|-----|
| Revenue: | 787 |
| Transfer: | 788 |
| Loan: | 789 |

IX. Reimbursements

Similar to last year, reimbursements are no longer reflected under the account/category code of 48XXXXX in Hyperion, and instead are tracked under a non-budget act item, utilizing Fund 0995 and specific spending category code(s) of 5XXXXXX. This is similar to how reimbursements were treated and recorded in the legacy budget systems. Please refer to Finance's "[Treatment of Reimbursements](#)" write-up for more detail on how to properly reflect reimbursements in Hyperion.

X. Special Instructions Related to Updating Out Years

Out-year revenues and expenditures must be updated to reflect specific proposed adjustments or known adjustments that have been or proposed to be approved by the Legislature. Out year forecast assumptions that are not specifically proposed (and later approved) are not to be entered into Hyperion.

XI. Rounding "000"

For budget purposes, do not reflect dollars below \$1,000. This level of precision is unnecessary and creates additional workload and reconciliation problems. As part of the rollover process, all data now ends with "000." Users must only enter into the system amounts that end with "000."

XII. Additional Resources Related to FI\$Cal

Finance maintains the web page, "FI\$Cal Resources" (http://www.dof.ca.gov/Budget/FISCAL_Resources_for_Budget/), to provide one convenient location for all relevant FI\$Cal resources. This page will be updated and expanded often. Please continue to check and utilize the information on this page for reference materials.

Please also refer to FI\$Cal Job Aids available at:
<http://www.fiscal.ca.gov/access-fiscal/budgetsjobaids.html>.

If you have any questions about this Budget Letter or budget/policy questions regarding the use of Hyperion, please contact your Finance budget analyst. For system logon/password issues or other technical system questions, please contact the FI\$Cal Service Center (fiscalservicecenter@fiscal.ca.gov) and copy your Finance budget analyst.

/s/ Veronica Chung-Ng

Veronica Chung-Ng
Program Budget Manager